

A nonprofit corporation, having no capital stock, no assets and no income, was established for the sole purpose of cooperating with the parent-teacher association of a local school district in its activities, by reviewing the proposals of and designating the insurance company allowed to solicit accident insurance from the students, the teachers, and the other employees of the school district. Held, it qualifies as an organization not organized for profit but operated exclusively for the promotion of social welfare under the provisions of section 501(c)(4) of the Internal Revenue Code of 1954 and is exempt from Federal income tax under section 501(a) of the Code.

Advice has been requested whether the organization described below qualifies for exemption from tax under section 501(a) of the Internal Revenue Code of 1954.

M corporation was organized under the nonprofit corporation law of a state without capital stock for the purpose of cooperating with a parent-teacher association of a school district in carrying on certain activities. These activities consist solely of an annual selection of the insurance company which is to be allowed to solicit accident insurance from the students, the teachers and the other employees of the particular school district. The selection is based on proposals submitted to the corporation by the insurers. The corporation has no assets and no income, the expenses being borne by donations by citizens. The membership consists of fifteen members of the parent-teacher association who are designated by that organization.

Section 501(c) of the Code describes certain organizations exempt from tax under section 501(a) of the Code and reads, in part, as follows:

(4) Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare * * *

Section 1.501(c)(4)-1 of the Income Tax Regulations provides, in part, as follows:

(a) Civic organizations.--(1) In general.--A civic league or organization may be exempt as an organization described in section 501(c)(4) if:

(i) It is not organized or operated for profit; and

(ii) It is operated exclusively for the promotion of social welfare.

(2) Promotion of social welfare.--(i) In general.--An organization is operated exclusively for the promotion of

social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterments and social improvements
* * *.

It is held that the M corporation qualifies as an organization not organized for profit but operated exclusively for the promotion of social welfare under the provisions of section 501(c)(4) of the Code and is, therefore, exempt from Federal income tax under section 501(a) of the Code.